

MARCH OF DIMES

Report of Review

CALIFORNIA BIRTH DEFECTS MONITORING PROGRAM

Contract Nos. 03-75034 and 06-55002

July 1, 2005, through June 30, 2007



JOHN CHIANG
California State Controller

June 2009



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California State Controller

June 19, 2009

Shabbir Ahmad, Ph.D.
Acting Division Chief
California Maternal, Child and Adolescent Health Program
California Department of Public Health
1615 Capitol Ave., MS 8300
Sacramento, CA 95814

Dear Dr. Ahmad:

The State Controller's Office reviewed the March of Dimes' administration of and its costs claimed to administer the California Birth Defects Monitoring Program. Our review pertained to Contract Nos. 03-75034 and 06-55002 between the California Department of Public Health and the March of Dimes for the period of July 1, 2005, through June 30, 2007.

The March of Dimes claimed and was reimbursed \$4,616,012 during the review period. Our review disclosed that the entire amount is allowable.

The exit conference was held on November 25, 2008.

If you have any questions, please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226.

Sincerely,

A handwritten signature in black ink, which appears to read "Jeffrey V. Brownfield", is written over the typed name.

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk



JOHN CHIANG
California State Controller

Shabbir Ahmad, Ph.D.
Acting Division Chief
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REPORT OF REVIEW

The State Controller's Office (SCO) conducted a review of the March of Dimes' administration of the California Birth Defects Monitoring Program, under Contract Nos. 03-75034 and 06-55002 between the March of Dimes and the California Department of Public Health's Maternal, Child and Adolescent Health Program. The SCO review was conducted pursuant to a request by the California Department of Public Health.

In 1982, California enacted legislation to support a program of birth defects monitoring and research. From 1982 to 1990, seven pieces of legislation were passed and enacted, mandating the department to:

- Maintain an ongoing program of birth defects monitoring statewide.
- Provide information on the incidence, prevalence, and trends of birth defects, stillbirths, and miscarriages.
- Provide information to determine whether environmental hazards are associated with birth defects, stillbirths and miscarriages.
- Provide information as to other possible causes of birth defects, stillbirths, and miscarriages.
- Develop prevention strategies for reducing the incidence of birth defects, stillbirths and miscarriages.
- Conduct interview studies about the causes of birth defects.
- Affirm the authority of the state department to contract with a qualified entity to operate the birth defects monitoring program statewide.

Under existing law, the California Department of Public Health (CDPH) is authorized to administer a birth defects monitoring program and to establish a system for the collection of information from general acute care programs.

The purpose of this review was to determine (1) if the goals and objectives specified in contracts between the CDPH and the March of Dimes were achieved; (2) if the March of Dimes complied with the laws and regulations applicable to the California Birth Defects Monitoring Program; and (3) if the March of Dimes complied with contract requirements.

The scope of the review included a review of the claims for reimbursements submitted to CDPH along with the documentation for the expenditures incurred. Additionally, the SCO determined whether the contractor achieved the goals and objectives specified in the contract and complied with the contract terms and state and federal regulations.

We performed the following procedures:

1. Reviewed organization charts and documentation of personnel responsibilities.

We found no exceptions as a result of this procedure.

2. Obtained a management representation letter from the March of Dimes on November 25, 2008, during the exit conference.

We found no exceptions as a result of this procedure.

3. Reviewed and built upon an audit report (and accompanying working papers) issued by the Internal Audits Unit of the Department of Health Services (currently CDPH) dated March 25, 2007.

We found no exceptions as a result of this procedure.

4. Reviewed the March of Dimes' independent auditor's reports for fiscal year (FY) 2005-06 and FY 2006-07.

We found no exceptions as a result of this procedure.

5. Verified that goals and objectives of the contracts between CDPH and the March of Dimes were met by developing a questionnaire based on the goals and objectives. The questionnaire was completed by the Research Director and the fiscal officer. We tested the accuracy of responses by tracing answers to actual reports, studies, etc.

We found no exceptions as a result of this procedure.

6. Reviewed the March of Dimes' accounting system and determined whether the allocation methods used were reasonable. We designed an internal control questionnaire that included six sections: cash receipts, cash disbursements, payroll, invoice preparation, equipment acquisition, and indirect costs.

We found no exceptions as a result of this procedure.

7. Reviewed expenses for accuracy and reconciled them to the March of Dimes' monthly financial records.

We found no exceptions as a result of this procedure.

8. Determined if amounts claimed were within the contract limits. The amounts claimed and reimbursed were reviewed and compared with the line item limits of the contracts.

We found no exceptions as a result of this procedure.

9. Selected and reconciled one monthly invoice per fiscal year under review to the general ledger, account details, and supporting documents.

We found no exceptions as a result of this procedure.

10. Reviewed cash receipts, invoices submitted for reimbursement, and revenue accounts, and verified that invoices were submitted in a timely manner and cash receipts from the program were accurately and completely recorded in the March of Dimes' accounting records.

We found no exceptions as a result of this procedure.

11. Reviewed payment authority and limitations, identified and summarized the advance payments of FY 2005-06 and FY 2006-07, and traced the payments to general entries and bank statements. Verified that all cash received by the March of Dimes was deposited in a non-interest bearing core account.

We found no exceptions as a result of this procedure.

12. Verified personnel costs by tracing payroll costs to payroll registers, timesheets, Grand Staff Allocation worksheets, and other payroll documents. We also verified the accuracy of monthly or hourly labor rates and the number of hours billed to the program, and verified that all expenses had proper authorization.

We found no exceptions as a result of this procedure.

13. Verified fringe benefits by tracing fringe benefit amounts to the payroll register and other payroll documents. We also reviewed and ensured that fringe benefit components are allowable and verified that all expenses have proper authorization.

We found no exceptions as a result of this procedure.

14. Verified claimed equipment costs against invoices and payment records and reviewed the method of recording equipment acquisitions. We also verified that all expenses had proper authorization and that prior written approval was obtained for purchases of \$5,000 or more for commodities, supplies, equipment, and services related to such purchases.

We found no exceptions as a result of this procedure.

15. Reviewed the March of Dimes' travel policy and contract terms on travel expenses; compared travel per diem to the allowances set by the contract; traced travel expenses to the general ledger, travel claim expenses forms, and other supporting documents; and verified that all expenses had proper authorization.

We found no exceptions as a result of this procedure.

16. Followed up with subcontractor issues noted in the audit memo issued by the department's Internal Audits Unit on May 25, 2007. The memo stated that the March of Dimes, at the direction of the former contract manager, used three subcontractors for fundraising organization where the former contract manager was personally involved.

We reviewed:

- The agreements with the three subcontractors;
- The invoices submitted to the March of Dimes;
- The general ledger and proof of payments to the subcontractors; and
- The minutes of meetings facilitated by the subcontractors.

We also interviewed the March of Dimes' Grant/Fiscal Manager.

Our review did not identify any inappropriate activities.

In addition, we reviewed five additional subcontractors and verified the subcontractor costs to the purchase orders/contracts; that the subcontractors have been paid; that any subcontractors of \$5,000 or more had been approved by the department; and that all expenses had proper authorization.

We found no exceptions as a result of these procedures.

17. Reviewed the March of Dimes' agreements with Fresno Community Hospital and Long Beach Medical Center.

We found no exceptions as a result of this procedure. However, we noted that the FY 2006-07 contracts were signed several months after the FY 2005-06 contracts expired. The March of Dimes continued to obtain and pay for the subcontractors' services in anticipation that the contracts would continue into FY 2006-07. We also noted that there were no lapses of services during FY 2005-06 and FY 2006-07.

18. Reviewed and determined that the components of the indirect cost pool were allowable, verified the indirect costs billed to the program did not exceed the contract limit, the actual indirect cost rate was equal to or higher than the billing rate, and all expenses had proper authorization.

We found no exceptions as a result of this procedure. We noted there were errors in calculating the budgeted indirect costs for FY 2005-06 and FY 2006-07. The indirect costs were calculated at a certain percent of the "total contract amount" instead of the direct costs. As a result, budgeted and claimed indirect costs were overstated. Since the errors were made in the content of the contracts, our review did not identify any inappropriate activities by the March of Dimes.

19. Confirmed that the March of Dimes tracked \$4 million in Mental Retardation Fund expenses, and that the fund balance at June 30, 2007, was transferred, under the direction of the program, to the research program at Children's Hospital and Research Center Oakland.

We found no exceptions as a result of this procedure.

20. Confirmed with the March of Dimes' representatives that the State of California owns the registry and repository.

We found no exceptions as a result of this procedure.

21. Verified that Goal I of the contract was accomplished by:

- Documenting a list of new and in-process epidemiologic studies conducted in FY 2005-06 (14) and FY 2006-07 (38).
- Reviewing a list of parents of births-without-defects prepared during FY 2005-06 (425) and FY 2006-07 (400).
- Analyzing the tracking and banking of biologic samples from pregnant women and creating reports on blood samples (we noted 1,450,869 samples collected from January 2003 through September 2008).

- Verifying the creation of a list of 22 research institutions with which the March of Dimes collaborated from 2005 through 2007.
- Reviewed the list of research papers on epidemiologic studies on the causes of birth defects and mental retardation published in FY 2005-06 (22) and FY 2006-07 (14). In addition, we reviewed one published article.

We found no exceptions as a result of these procedures.

22. Verified that Goal II of the contract was accomplished by:

- Creating and monitoring discharge summaries, cytogenetic logs, and pediatric admission logs to identify and separate records of children with birth defects and mental retardation.
- Conducting telephone interviews of parents and a sample of healthy families (125 in FY 2005-06 and 100 in FY 2006-07).
- Documenting the responses to the SCO questionnaire that 300 telephone interviews of parents of children with birth defects and mental retardation were conducted in each fiscal year.
- Documenting the responses to the SCO questionnaire that the contractor banked samples from 97,323 (in FY 2005-06) and 89,087 pregnant women (in FY 2006-07).
- Verifying via responses by the Research Director that the contractor used the newborn blood spot collected by the Genetic Disease Branch of the California Department of Public Health to analyze genetic risk factors. Cases analyzed were 2,400 in FY 2005-06 and 2,300 cases in FY 2006-07.
- Verifying procedures used by the contractor to code and process data collected. The contractor managed and analyzed data by using a relational database management system.
- Verifying the contractor analyzed data on birth defects and mental retardation by noting the publishing of epidemiologic studies. The contractor published 22 papers in FY 2005-06 and 14 papers in FY 2006-07.

We found no exceptions as a result of these procedures.

23. Verified that Goal III of the contract was accomplished by:

- Reviewing a list of 13 grants written by the contractor in both fiscal years.
- Confirming that the contractor developed two strategies in FY 2005-06 and three strategies in FY 2006-07 for private fundraising in order to research causes of birth defects.
- Noting that the contractor pursued federal funding sources by reviewing the federal register for funding activities and corresponded with federal agencies to promote research and resource capabilities.

We found no exceptions as a result of these procedures.

The SCO was not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on claimed costs. Accordingly, the SCO does not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of CDPH, the March of Dimes, and the SCO. It is not intended to be and should not be used by anyone other than those specific parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to read "Jeffrey V. Brownfield". The signature is stylized with a large, looped initial "J" and a cursive "B".

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 19, 2009

